

Universal Service and Intercarrier Compensation Reform

CTIA-The Wireless Association®

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Support for Mobile Broadband Advances

National Goals and Priorities

Support for mobile broadband is consistent with...

- The National Broadband Plan

“Mobile broadband represents the convergence of the last two great disruptive technologies – Internet computing and mobile communications – and may be more transformative than either of these previous breakthroughs.”

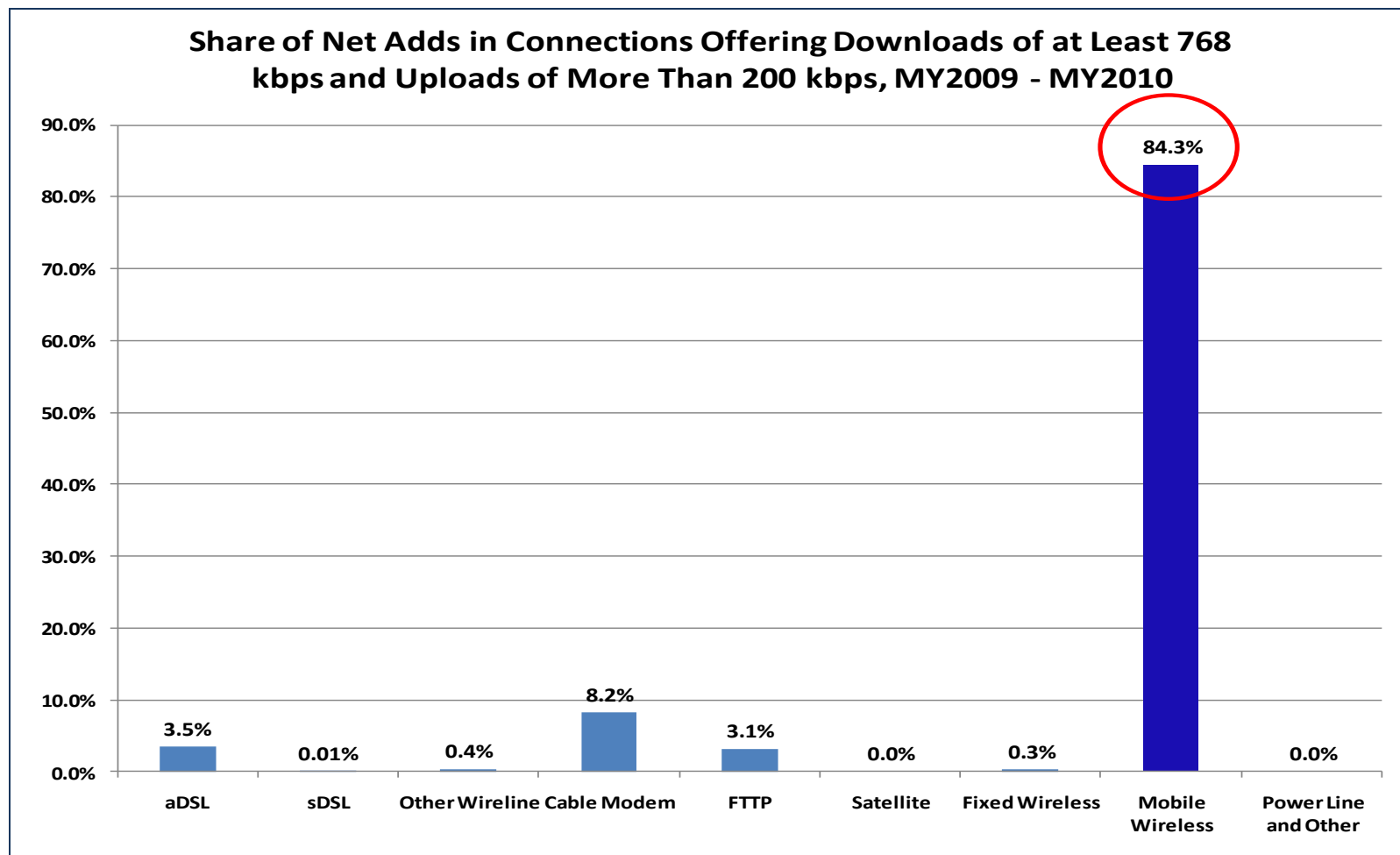
- The President’s Wireless Initiative

The President previously noted that “[f]ew technological developments hold as much potential to enhance America’s competitiveness, create jobs, and improve the quality of our lives as wireless high-speed access to the Internet.”

- Consumer demand

Explosive Growth in Consumer Demand for Mobile Broadband Services

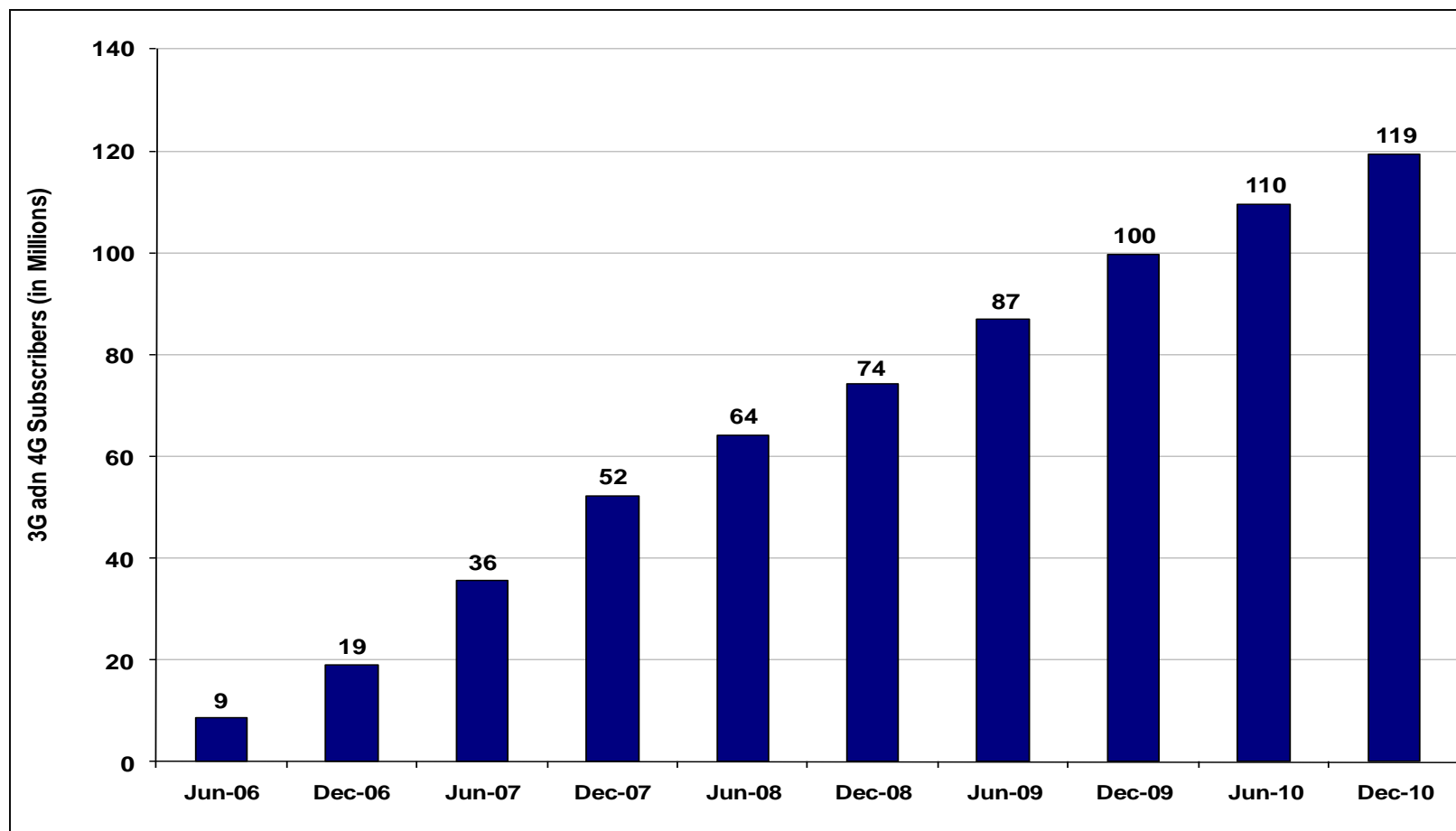
Growth In Broadband Connections With Download Speeds Of At Least 768 Kbps



Source: FCC Internet Access Services Report, March 2011

Explosive Growth in Consumer Demand for Mobile Broadband Services

Unique High-Speed Wireless Subscribers Is Growing



Sources: comScore, MobiLens

High Cost Universal Service Reform – Ensuring Access to Mobile Broadband Services

- Congress and FCC have set out broad goals that should guide USF reform with respect to mobile broadband.
 - Section 254(b)(3): Consumers in all regions of the country should have access to reasonably comparable services at reasonably comparable prices.
 - 1 of 6 Overarching Goals of the NBP: “The United States should [have] ... the fastest and most extensive wireless networks of any nation.”
 - The FCC should establish universal service mechanisms that enable consumers to rely on mobile wireless, wireline, or both technologies.
- Funding for mobile broadband must be sufficiently robust and must include support for on-going costs.
 - OBI Staff found that over 67% of the costs of deploying wireless networks to unserved areas would be on-going.
- Reform should reflect market reality.
 - Mechanisms should not distort consumer choice.
 - Contributions from wireless providers have grown to 43% of the total USF contribution base.
 - Transitions must not harm 3G availability.

CTIA Supports Reforms To Ensure Limited Public Resources Are Efficiently Allocated

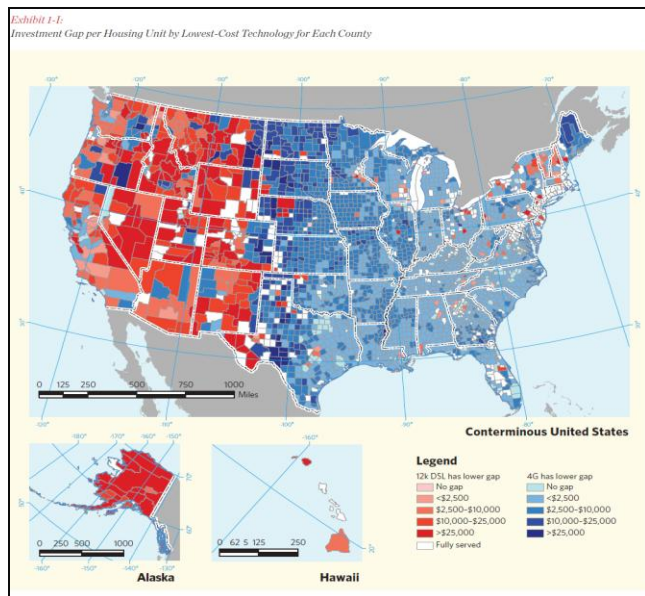
- The FCC has proposed several reforms that will achieve greater efficiency in the way incumbent LECs receive support:
 - Modifications to the high-cost loop support mechanism
 - Elimination of local switching support
 - Elimination of corporate operations expenses
 - Limiting reimbursable operating and capital costs for rate-of-return companies
 - Implementing a cap on total support per line for ILEC support mechanisms
 - Rate-of-return carriers should be shifted to price cap regulation.
- The purpose of universal service funding is to protect rural consumers, and not rural carriers.
 - Wireless, cable and satellite providers are rapidly deploying voice and Internet service to more rural consumers.

Competitive and Technological Neutrality Should Be Pillars of the CAF

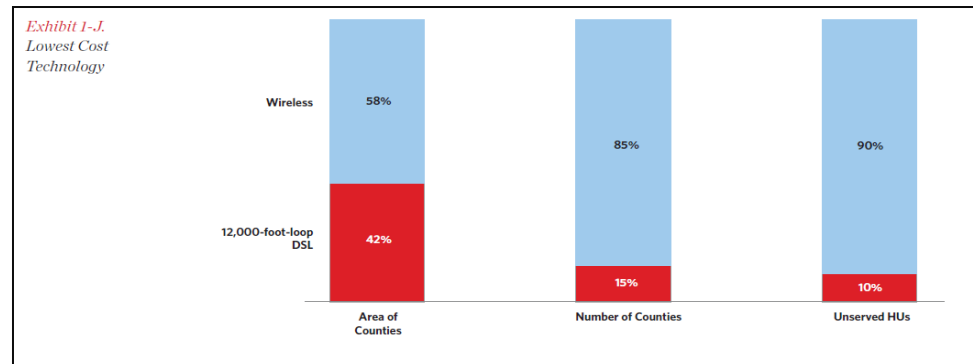
- Competitive and technological neutrality are consistent with...
 - The Commission’s 1997 *First Report and Order*
 - Universal service support mechanisms and rules should “neither unfairly advantage nor disadvantage one provider over another, and neither unfairly favor nor disfavor one technology over another.”
 - The U.S. Court of Appeals for the Fifth Circuit
 - Universal service programs “must treat all market participants equally...”
 - The National Broadband Plan
 - Recommending that “eligibility criteria for obtaining support from CAF should be company- and technology-agnostic.”
- The Connect America Fund should not lock in – or rule out – specific technologies.
- Proposals to grant ILECs a “right of first refusal” should be rejected.

Competitive and Technological Neutrality

- Right of first refusal would indefinitely hinder development of competitive alternatives.
- Right of first refusal would also forfeit efficiency benefits of developing competition.



Source: OBI Technical Paper No. 1 at Exhibit 1-I



Source: OBI Technical Paper No. 1 at Exhibit 1-J

Comprehensive ICC Reform Is Necessary and Overdue

- The current framework is based on above-cost per-minute charges that vary depending on circumstances that bear little or no relationship to cost.
- This framework has given rise to multiple arbitrage issues that drain resources such as traffic pumping and phantom traffic.
- This framework impedes the transition to more efficient and feature-rich IP networks by creating artificial financial incentives for carriers to continue to exchange traffic on a circuit-switched basis.

CTIA Supports Unification of the Inter-carrier Compensation System

- The FCC should unify all inter-carrier compensation rates at a lower, closer to cost-based rate, such as the per minute termination rate established for ISP-bound traffic, \$0.0007.
 - Will reduce arbitrage opportunities plaguing current system.
 - Market-derived ICC arrangements should not be superseded by higher interim rates.
- Reductions should be implemented quickly.
- The National Broadband Plan recognized the value of phasing our per-minute charges.
 - Carriers recover internal network costs from their own end-user customers.
 - Encourage carriers to negotiate alternative compensation arrangements for the transport and termination of traffic.

Recovery Mechanisms Should Be Narrowly Tailored and Focused on End-user Recovery

- The purpose of any recovery mechanism for diminished ICC payments should be provided to LECs to allow a limited time for business model adjustment, *not* to ensure “revenue neutrality.”
- Give wireline carriers additional flexibility in how they recover costs from end-user customers.
- The primary consideration should be the need to maintain affordable end-user rates.
- The FCC should employ a rate benchmark as one element of the analysis of whether interim access replacement recovery should be permitted.

Traffic Pumping Requires an Immediate and Comprehensive Response

- Traffic pumping schemes are a significant and rapidly-growing problem.
- Remedies must address:
 - All traffic, including interMTA and intraMTA traffic;
 - Charges imposed by all providers, including CLECs and ILECs.
- CTIA supports remedies including:
 - A substantial reduction of the per-minute rate applied to pumped traffic; and
 - Reliance on traffic imbalances, rather than the presence of a revenue-sharing arrangement, to trigger application of the new.

Wireless Interconnection Issues

- The Commission should grant the long-pending Sprint petition by establishing that incumbent LECs may neither:
 - Refuse to load numbering resources of an interconnecting carrier;
 - Nor refuse to honor the routing and rating points designated by the interconnecting carrier.
- The IntraMTA rule continues to play an important role in the deployment of wireless services.
 - The intra-MTA rule makes intercarrier compensation for wireless traffic more consistent with wireless carriers' end-user charges for such traffic.
 - The Commission's NPRM and virtually all parties agree that the only solution to arbitrage and inefficiency is for carriers to exchange traffic at rates that are *uniform* and *lower* than current access rate levels.